

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 - 0 4

2. STATE:

Kentucky

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

January 15, 2001

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ (3,558,498)

b. FFY 2002 \$ (4,703,640)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B Page 20.1 & 20.2  
Attachment 3.1-A Page 7.5.1 & 7.5.2  
Attachment 3.1-B Page 31 & 31.19. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):Attachment 4.19-B, Page 20.1 & 20.2  
Attachment 3.1-A, Page 7.5.1 & 7.5.2  
Attachment 3.1-B, Page 31 & 31.1

10. SUBJECT OF AMENDMENT:

Prescription Drugs  
Establishes a new dispensing fee.

GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: Review delegated to  
Interim Commissioner, Department for  
Medicaid Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Ellen Hesen

14. TITLE:

Interim Commissioner, Dept. for Medicaid Services

15. DATE SUBMITTED:

3/30/01

16. RETURN TO:

Sharon Rodriguez, Manager  
Policy Coordination Branch  
Dept. for Medicaid Services  
275 E. Main Street 6E-A  
Frankfort, Ky. 40621

## FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

March 30, 2001

18. DATE APPROVED:

May 18, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

January 15, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Regene A. Grasser

22. TITLE: Associate Regional Administrator  
Division of Medicaid and State Operations

23. REMARKS:

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12. Prescribed Drugs, Dentures, Prosthetic Devices, and Eyeglasses

a. Prescribed Drugs

- (1) Coverage is provided for drugs included in the Outpatient Drug List that are prescribed for outpatient use by a physician, osteopath, dentist, podiatrist, optometrist, physician assistant, or advanced registered nurse practitioner. Drugs that require prior authorization are specified in the Outpatient Drug List. Approval of prior authorization is based on FDA-approved indications or a medically accepted indication documented in official compendia or peer-reviewed medical literature.
- (2) The drugs or classes of drugs listed in 42 USC 1396r-8(d)(2) are excluded from coverage unless specifically placed, either individually or by drug class, on the Outpatient Drug List or prior authorized based on FDA-approved indications or a medically accepted indication documented in official compendia or peer-reviewed medical literature. The following drugs are excluded from coverage through the Outpatient Pharmacy Program:
  - A drug for which the FDA has issued a "less than effective (LTE)" rating or a drug "identical, related, or similar" to an LTE drug;
  - A drug that has reached the termination date established by the drug manufacturer;
  - A drug for which the drug manufacturer has not entered into or has not complied with a rebate agreement in accordance with 42 USC 1396r-8(a) unless there has been a review and determination by the department that it shall be in the best interest of Medicaid recipients for the department to make payment for the non-rebated drug; and,

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- A drug provided to a recipient in an institution in which drugs are considered a part of the reasonable allowable costs under the Kentucky Medicaid Program.
- (3) A patient "locked-in" to one pharmacy due to over-utilization may receive pharmacy services only from his/her lock-in provider except in the case of an emergency or by referral.
- (4) Prior authorization is required on covered prescriptions refilled up to 5 (five) times in a 6 (six) month period from the date of issue.

b. Dentures

Dentures are not covered for adults. Dentures may be covered for children through the early, periodic, screening, diagnosis and treatment program (EPSDT).

c. Prosthetics

Prosthetic devices are covered under durable medical equipment in accordance with Attachment 3.1-A, page 7.3.1(a).

d. Eyeglasses

Eyeglasses are not covered for adults. Eyeglasses are covered for children through the vision program.

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Methods and Standards for Establishing Payment Rates- Other Types of Care

I. Drugs

A. Reimbursement

1. Participating pharmacies are reimbursed for the cost of the drug plus a dispensing fee. Payments shall not exceed the upper limits specified in 42 CFR 447.331 through 447.334.
2. Participating dispensing physicians are reimbursed for the cost of the drug only.
3. Providers will be reimbursed only for drugs supplied from pharmaceutical manufacturers who have signed a rebate agreement unless the Department has determined that it is in the best interest of Medicaid recipients to make payment for non-rebated drugs.

B. Payment Limits - Payment for the cost of drugs shall be the lesser of:

1. The Federal Maximum Allowable Cost (FMAC) of the drug for multiple source drugs other than those brand name drugs for which a prescriber has certified in writing as being "brand medically necessary" or "brand necessary";
2. The Estimated Acquisition Cost (EAC) of the drug that has been established by the Department to be equal to the average wholesale price (AWP) minus ten (10) percent; or,
3. The provider's usual and customary charge.

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Methods and Standards for Establishing Payment Rates- Other Types of Care

C. Dispensing Fee

1. The Department established dispensing fees based upon the conclusions of an annual dispensing fee study, which is required by state law. The current dispensing fee is \$4.51. The dispensing fee is applied to both outpatient pharmacies and long term care facilities.
2. The fee amount is based on a survey of pharmacy dispensing costs in the Commonwealth of Kentucky, a review of academic literature, and the reimbursement rates of other payers. The dispensing fee established will reimburse the reasonable costs of dispensing prescription drugs incurred by pharmacies in the aggregate.